



October 2018

An SDRS Publication for Authorized Agents

Final Average Compensation: Fielding Member Questions

Foundation members—those who joined the system prior to July 1, 2017—who are planning to retire in the next five years may have questions about how the 2017 law changes regarding final average compensation (FAC) will affect their South Dakota Retirement System (SDRS) retirement benefits. The answer is that, for nearly all members, the change from a 3-year to a 5-year final average compensation will not decrease benefits earned to date. However, the change will temporarily reduce the growth in benefits due to continued employment and will, in most cases, result in a retirement benefit slightly less than it would have been without the change.

SDRS recently sent letters to all Foundation members who will be eligible to retire within the next five years to explain how SDRS benefits are calculated. The letter also included several benefit calculation examples to illustrate how a typical member's 3-year, 4-year, and 5-year FAC would look and the overall impact on retirement benefits. The examples showed that, even with no pay increases in the final years of pay, the sample member's FAC and retirement benefit both increased with additional service and consideration of current compensation.

What This Means for Foundation Members

Each member's situation is unique. However, in nearly all cases, the change in FAC calculation will not decrease a member's current earned retirement benefit. By working longer, a member adds quarters/years of service, as well as compensation paid on future service, which positively impact the member's retirement benefit.

Additionally, the 105 percent cap on compensation was extended to include each of the years used in FAC for Foundation members with contributory service after June 30, 2020. As most members receive annual pay increases of less than five percent, the compensation cap extension will have no effect on those members' benefits.

Encourage Members to Contact SDRS

As an Authorized Agent, you may encounter questions from Foundation members. Please refer them to the SDRS office. Retirement planners are available to answer questions and run personal benefit estimates for members Monday through Friday 8:00 AM to 5:00 PM (CT) by calling toll-free 1-888-605-SDRS (7377).

Plan to Attend an Authorized Agent Training

Authorized Agent training sessions are a great tool for both new and seasoned agents. While there is just one session remaining in 2018, the 2019 training schedule will be available by late November. Keep checking the SDRS website, www.sdrs.sd.gov!

Topics covered during the training session include:

- SDRS overview: Foundation and Generational
- SDRS forms
- Contribution reporting
- SDRS Supplemental Retirement Plan
- SDRS Special Pay Plan

AUTHORIZED AGENT TRAINING SESSIONS

DATE	LOCATION	ADDRESS	TIME
10/23/2018	Brookings, Swiftel Center	824 32nd Avenue	1:00—3:00 PM

To register for an Authorized Agent training session, visit the Events section of the SDRS website at www.sdrs.sd.gov. You may also register by emailing SDRSweblink@state.sd.us or calling the SDRS office at 1-888-605-SDRS (7377).

Employees Should Keep Beneficiaries Current

Perhaps one of the most important documents in each member's South Dakota Retirement System (SDRS) record is the beneficiary designation form. This form instructs SDRS as to who should receive a member's accumulated contribution balance when the member passes away.

A member's accumulated contribution balance includes 100 percent of the member's contributions and a portion of the matching employer contributions (50 percent if the member has less than three years of service or 85 percent if the member has three or more years of service), plus credited interest. Upon the member's death, there may be benefits available to the member's survivors, such as family benefits if the member has dependent children. After all other SDRS benefits have been paid, SDRS will distribute the remaining balance, if any, of the member's accumulated contributions as a lump-sum to the member's named beneficiaries.

Members should complete SDRS Form E-5, "Beneficiary Designation," when first hired. SDRS also recommends completing a new form any time there is a major life event. Marriages, divorces, births, adoptions, and deaths are all incidents that would prompt an update in beneficiary designation; however, updating beneficiaries often gets overlooked or delayed during these life-changing events. In some cases, this oversight can result in assets not being distributed as the member had intended.

Consider this hypothetical situation:

Beth, a married member, completes a beneficiary form designating her spouse as primary beneficiary and her son as contingent beneficiary. Beth and her spouse go on to welcome two more children into their family. However, Beth forgets to update her beneficiaries to include all of her children. Years later, after their children are grown, Beth and her spouse die in a car accident. Beth's SDRS account would be paid out as a lump-sum to her designated beneficiaries, which means that Beth's son, as the sole contingent beneficiary listed, would receive the

entire accumulated contribution balance even though Beth had two other children. In this case, Beth may have intended for all of her children to receive a portion of her accumulated contribution balance; however, the designations on file with the SDRS office must be followed.

As an Authorized Agent, if a member is updating his or her employment record because of a life-changing event, a good rule of thumb would be to have the member complete a new SDRS Form E-5 to ensure the member's beneficiaries are current.

Encourage Employees to Regularly Review Beneficiary Designations

SDRS members may check their beneficiary designations by logging in to MySDRS, the secure side of the SDRS website, at www.sdrs.sd.gov. Members may also call the SDRS office toll-free at 1-888-605-SDRS (7377) to find out who they have listed as beneficiaries.

To change a beneficiary designation, a new SDRS Form E-5 must be completed by the member and submitted to SDRS.

Considerations for Minor Children

It is important to note that SDRS cannot make payments directly to minor children. Payments must be made to the child's conservator or custodian. Because the legal process of naming a conservator and/or establishing a trust can be lengthy and expensive, members may want to consider appointing a custodian and successor custodian for minor children for SDRS purposes. This can be accomplished by completing SDRS Form E-5A, "Transfer to Minor Form."

By having this form on file with SDRS, the assets belonging to the minor are controlled and managed by the appointed custodian until the minor reaches age 18. Note: a separate SDRS Form E-5A must be completed for each minor child.



South Dakota Retirement System

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SDRS Enrollment/Opt-Out for Elected Officials

This article applies only to elected officials, who may or may not be a part of your specific employer unit. Elected officials are those who are elected into office by the general public. For example: the governor, a county sheriff, a city mayor, or other elected positions that meet the full-time criteria are elected officials.

At its September 2018 meeting, the SDRS Board of Trustees made an administrative rule change with regard to full-time elected officials' participation in SDRS. Federal regulations require that an election to participate or not participate in a retirement plan such as SDRS must be irrevocable. Therefore, the Board repealed a rule allowing an elected official to opt-in and opt-out of SDRS participation from term to term.

The effective date of the repeal is February 15, 2019. All participation elections will be irrevocable as of February 15, 2019, regardless of when the election was made.

Examples

- If an elected official is a current contributing member, has previously participated in the system, or is a retiree, no election is available and the official must participate in the system.
- If an elected official is not a current contributing member, has not previously participated, or has not had a prior election to participate, that official must make an irrevocable election to participate or not participate in the system.
- If an elected official has previously elected not to participate in the system, that official is not eligible to make a new election and may not be allowed to participate in the system in his/her role as an elected official.

At the time of their initial term/appointment, all elected officials who are not members of SDRS must complete SDRS Form E-4, "Election to Participate in SDRS by Elected Official."

If the elected official chooses to participate, SDRS Form E-1, "Application for SDRS Enrollment" and SDRS Form E-5, "Beneficiary Designation Form" must also be completed.

If the elected official is already participating in SDRS, the E-4 is not required, but the E-1 and E-5 must be completed.

Please contact SDRS toll-free at 1-888-605-SDRS (7377) with any questions.

The image displays four SDRS forms. At the top is the 'Beneficiary Designation Form' (SDRS Form E-5). Below it is the 'Application for SDRS Enrollment' (SDRS Form E-1). To the right of the enrollment form is the 'Election to Participate in SDRS by Elected Official' (SDRS Form E-4). At the bottom is the 'Information for Elected Officials' document. The forms contain fields for member information, spouse information, and elected official information, along with checkboxes for participation and beneficiary designation.

The information presented in Update is neither a legal reference nor a complete statement of South Dakota laws or administrative rules. In any conflict between this information and South Dakota laws or administrative rules, the laws and administrative rules shall prevail.

UpDate is produced to communicate the plan provisions, changes in law, and issues of interest to authorized agents of the South Dakota Retirement System. It is published with funds provided through the contributions of teachers, school boards, state government, state employees, county commissions, county employees, municipal governments, municipal employees, and other local units and employees.

Upcoming SDRS Events

INDIVIDUAL RETIREMENT COUNSELING SESSIONS			
DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
11/19/2018	Mobridge, Wrangler Inn	820 W Grand Crossing	2:00—8:00 PM
11/26/2018	Yankton, Kelly Inn	1607 E Highway 50	2:00—8:00 PM
11/27/2018	Yankton, Kelly Inn	1607 E Highway 50	8:00 AM—8:00 PM
12/03/2018	Spearfish, Holiday Inn	I-90 Exit 14	2:00—8:00 PM
12/04/2018	Spearfish, Holiday Inn	I-90 Exit 14	8:00 AM—8:00 PM
12/10/2018	Madison, Karl Mundt Library	8th & Egan	2:00—8:00 PM
12/11/2018	Madison, Karl Mundt Library	8th & Egan	8:00 AM—8:00 PM
12/18/2018	Martin, Library Community Room	101 Main Street	2:00—8:00 PM

WORKSHOPS & FORUMS			
DATE	LOCATION	WORKSHOP/FORUM TYPE	TIME
10/22/2018	Watertown, Watertown Event Center	Early & Mid-Career Workshop	6:00—8:00 PM
10/23/2018	Brookings, Swiftel Center	Retiree Forum	3:00—4:00 PM
10/23/2018	Brookings, Swiftel Center	Pre-Retirement Workshop	5:30—8:00 PM
10/29/2018	Rapid City, Hilton Garden Inn	Early & Mid-Career Workshop	6:00—8:00 PM
11/05/2018	Brookings, Swiftel Center	Early & Mid-Career Workshop	6:00—8:00 PM
11/06/2018	Pierre, RedRossa Italian Grille	Women & Financial Planning Workshop	5:15—7:30 PM
12/11/2018	Spearfish, Holiday Inn	Women & Financial Planning Workshop	5:15-7:30 PM

To schedule an appointment for an individual retirement counseling session, members may contact SDRS at 1-888-605-SDRS. To register for a workshop, members are encouraged to visit the Events section of the SDRS website at www.sdrs.sd.gov or contact SDRS at 1-888-605-SDRS.

Authorized Agent/Employer Quick Links

VISIT WWW.SDRS.SD.GOV FOR PUBLICATIONS, FORMS, AND OTHER RESOURCES	
TYPE	DIRECT LINK
Authorized Agent Manual	http://www.sdrs.sd.gov/docs/AAmanual.pdf
GASB Information	http://www.sdrs.sd.gov/employer/gasb/info.aspx
Forms (i.e. E-1, E-5, E-5A, B1)	http://www.sdrs.sd.gov/forms.aspx (see section “Employer Forms”)
Foundation Member Publications	http://www.sdrs.sd.gov/foundation/publications.aspx
Generational Member Publications	http://www.sdrs.sd.gov/generational/publications.aspx
SDRS Events	http://www.sdrs.sd.gov/events/default.aspx
Employer Contribution Reporting	https://apps.sd.gov/rt06mysdrs/employerlogin
MySDRS Member Log-in	https://apps.sd.gov/rt06mysdrs/default